

Message Text

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ACTION SS-25

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C O N F I D E N T I A L CAIRO 1572

EXDIS

E.O. 11652: GDS
TAGS: EAID, EG
SUBJ: ASSISTANCE TO EGYPT: IMF, IBRD AND BOP FORECAST

REF: (A) CAIRO 1424, (B) CAIRO 1510

1. REFS REPORTED CONVERSATIONS WITH IMF AND IBRD REPS AND EACH CONTAINED A FORECAST OF EGYPT'S 1977 BOP, WITH EMPHASIS ON UNFINANCED GAP. WHILE DATA WAS REPORTEDLY PREPARED BY TEAM OF FUND, BANK AND GOE EXPERTS, WE NOTED A DIFFERENCE OF \$500 MILLION BETWEEN IMF FIGURES (\$1.250 BILLION, PARA 7 REF A) AND THOSE OF IBRD (\$1.7 BILLION, PARA 10 REF B). FAREWELL CALL BY IKRAM OF IBRD, WHO RETURNS TO WASHINGTON JANUARY 28, PROVIDED OPPORTUNITY TO CLARIFY THIS DISCREPANCY: BANK FIGURE OF \$1.7 BILLION IS OPERATIVE. (IT APPEARS THAT GUNTER/DICKIE SUBTRACTED GODE LOAN AND GUARANTEED LOAN-(\$500 MILLION--TWICE IN THEIR ORAL PRESENTATION TO AMBASSADOR.)

2. IKRAM NOTED WRYLY THAT THOSE WHO DO NOT FOLLOW EGYPTIAN STATISTICS CLOSELY (INCLUDING, SPECIFICALLY SENIOR IMF AND IBRD OFFICIALS) TEND TO ACCEPT ANY NUMBERS THAT ARE WRITTEN DOWN AS MORE MEANINGFUL THAN IS IN ANY WAY JUSTIFIED. HE SAYS THAT BOTH BENJENK AND PAIJMANS HAVE EXPRESSED MILD DISMAY AT FACT THAT FIGURES SHIFT AND CHANGE,
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AND EASE WITH WHICH BOTH HE AND DICKIE, WHO HAVE BEEN IMMERSSED IN THE SUBJECT FOR SOME TIME, CASUALLY ROUND UP OR DOWN ON SUCH MATTERS AS AN ITEM IN A BOP FORECAST. THEIR NATURAL INCLINATION IS TO LOOK FOR TOTALS CARRIED OUT TO DECIMAL PLACES, A RATHER SPECIOUS EXERCISE WHEN ALL THE PRECEEDING DATA ARE AT BEST VERY ROUGH ESTIMATES OF WHAT GOE MAY DO.

3. IKRAM ALSO REPORTED THAT THERE WAS CONSIDERABLE DEBATE WITHIN BANK'S DELEGATION AS TO HOW TO HANDLE KAISOUNI'S LETTER REQUESTING MULTI-BILLION DOLLAR AID PACKAGE REPORTED REF B. SEVERAL DRAFT REPLIES, PREPARED BY IKRAM, WERE REJECTED BY BENJENK AS BEING TOO RUDE, AND IT WAS FINALLY DECIDED MERELY TO ACKNOWLEDGE RECEIPT. (BENJENK HAD TOLD US HE WOULD ASK KAISOUNI TO WITHDRAW THE LETTER ON GROUNDS FIGURES SUGGESTED THEREIN WOULD SIMPLY "SCARE" DONORS.)

4. COMMENT. IKRAM IS OF THE OPINION THAT HAVING THE BANK HOLD THAT LETTER IS NOT A GOOD IDEA AND WE AGREE. IT IS BECOMING INCREASINGLY CLEAR THAT THE "OTHER MEANS" WHICH PRESS SAYS CABINET IS DEPENDING UPON TO SOLVE EGYPTIAN ECONOMIC PROBLEMS (NOW THAT MAJOR REFORMS AND SERIOUS RETRENCHMENT ARE OUT OF THE RUNNING) IS OUTSIDE ASSISTANCE. WHILE EGYPT WILL OF COURSE DEPEND ON FOREIGN AID TO COVER GAPS, AMOUNTS OF THE MAGNITUDE CONTAINED IN KAISOUNI'S LETTER ARE NOT REASONABLE-- EXCEPT TO THE EGYPTIANS. IKRAM NOTED THAT THE \$7 BILLION PLUS WOULD CONSITITUTE ALMOST TWO-FIFTHS OF ANNUAL OFFICIAL ASSISTANCE GRANTED WOULDWIDE.) NONETHELESS, GOE'S PLANS TO ASK WERE INDICATED IN REMARK MADE BY MINPLAN EL IMAM, WHEN HE ASKED THAT BANK NOT UNDERCUT "LARGER REQUEST" BY TELLING ARABS THAT GAP IS "ONLY \$1.7 BILLION". BY "ROUNDING UP TO \$2.5 BILLION OR SO", BANK AND FUND MIGHT MAKE IT POSSIBLE "TO REACH A COMPROMISE AT \$3.5 OR MAYBE \$4 BILLION." (IKRAM SAID BENJENK WAS SHOCKED AT THIS REVELATION OF BAZAAR MENTALITY.)

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5. GUNTER LEFT WITHOUT BEING ABLE TO SEE PM SALEM, HAVING DECLINED AMBASSADOR'S OFFER TO ASSIST IN ARRANGING MEETING BECUASE OF HIS INTERNATIONAL CIVIL SERVANT STATUS. HE IS GOING TO PAKISTAN AND HAS EVIDENTLY AGREED TO RETURN ABOUT FEBRUARY 20 TO SEE HOW KAISOUNI IS DOING. BENJENK IS STILL TRYING TO SEE SALEM WITHOUT SUCCESS THUS FAR, AND DESPITE AMBASSADOR'S CALL TO PM'S OFFICE TO SUGGEST A MEETING. SALEM'S STAFF REPORTS HE IS VERY BUSY. HE SURELY IS, BUT WE HAVE THE FEELING THAT, FOR TIME BEING AT LEAST, HE IS STAYING WELL AWAY FROM IMF AND/OR IBRD ASSOCIATION. (WE WILL REPORT BENJENK'S TRAVEL PLANS IN SEPTEL.)

6. AT FINAL POINT, WE ASKED IKRAM IF BANK WAS STILL REMINDING GOE OF REQUIREMENT THAT THERE BE NO NET REPAYMENT OF OFFICIAL DEBTS DURING PERIOD OF EMERGENCY ASSISTANCE PROGRAMS. HE EMPHATICALLY STATED THAT HE HAS DONE SO AT THE TECHNICAL LEVEL, BUT IS INSURE OF WHETHER OR NOT IT WAS RAISED BY BENJENK. HE AGREED THAT THIS WOULD PROVIDE A USEFUL ANSWER TO THE SOVIETS, WHO ARE EXPECTED TO PUSH THE

DEBT ISSUE AFTER THEIR TRADE DELEGATION ARRIVES ON THE 28TH.
EILTS

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